



United States General Accounting Office
Washington, D.C. 20548

General Government Division

B-280651

June 24, 1999

The Honorable Russell Feingold
United States Senate

The Honorable Herb Kohl
United States Senate

The Honorable Tom Barrett
House of Representatives

The Honorable Gerald Kleczka
House of Representatives

Subject: Tax Administration: EEO Issues in IRS' Midwest District Office

As you know, the Conference Report on the Internal Revenue Service (IRS) Restructuring and Reform Act of 1998¹ mandated that we review a report² dealing with IRS equal employment opportunity (EEO) issues. That report was produced by an independent review team that IRS commissioned to study these issues in IRS' Midwest District Office, which is headquartered in Milwaukee, WI.

In May 1998, which was a month before the Conference Report, the Chairman, Senate Committee on Finance, asked us to review allegations of misconduct by IRS employees that were raised at the Committee's April 1998 hearings. Some of those allegations involved discrimination in the Midwest District Office. In addressing the concerns of the Committee, we planned our work to also respond to the mandate contained in the Conference Report. Accordingly, one of our objectives in our recently issued report³ on the various allegations was to describe EEO issues in IRS offices in the Milwaukee metropolitan area. This letter provides you with information that focuses only on that objective.

¹H. Rept. 105-599.

²The Status of the Equal Employment Opportunity Program, Internal Revenue Service, Milwaukee District Office, Milwaukee, Wisconsin, Independent Review Team, Aug. 1998.

³Tax Administration: Allegations of IRS Employee Misconduct (GAO/GGD-99-82, May 24, 1999).

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To describe the EEO issues, we examined the report of the independent team studying the EEO program and the documents that the team accumulated in doing its work, including an IRS internal EEO climate assessment study. We also interviewed key study participants and affected parties in Washington, D.C., and Milwaukee to better understand (1) what the EEO climate in the area was, (2) how the study report was done, and (3) what had happened since the report was finished.

We did our work in Washington and Milwaukee between June 1998 and March 1999 in accordance with generally accepted government auditing standards.

Results in Brief

IRS has acknowledged EEO-related problems in its Midwest District Office, including problems in hiring and promotion, and has begun addressing them. After an Equal Employment Opportunity Commission administrative judge's finding that an IRS employee was a victim of discrimination, the district produced a climate assessment report noting that a lack of trust and goodwill pervaded the work environment. In addition, although the recent independent team did not find discriminatory hiring or promotion practices, its August 1998 report contained many recommendations related to several district problem areas it identified, including the hiring and promotion processes. Since the independent team's report was issued, a new District Director has been named who has stated her commitment to overcoming the district's contentious and long-standing EEO problems.

Background

Problems with the EEO climate in IRS' Midwest District Office date back several years. In 1995, the Department of the Treasury agreed with an Equal Employment Opportunity Commission administrative judge who found that a district employee was the victim of discrimination and retaliation. In addition, certain of your offices received EEO-related complaints from IRS employees, and internal and external groups were critical of district EEO matters. According to the former District Director, who arrived in early 1996, the district was perceived to run on "good-old-boy" connections. Also, the district, which was created in 1996 through the merger of three smaller districts, was facing possible layoffs, which further contributed to tense labor-management relations.

Two Studies of the EEO Climate Made Numerous Recommendations

IRS Climate Assessment Team

To better identify some of the underlying causes of the problems in IRS Milwaukee area offices, the former District Director commissioned an IRS team in April 1996 to assess the EEO climate and make recommendations for corrective actions. As part of its review, the assessment team distributed a survey to all Milwaukee area district employees to gather EEO related perceptions.

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On the basis of its review of the survey results and other data, the assessment team reported in December 1997 that a lack of trust and goodwill pervaded the work environment. The survey revealed that people in all groups (e.g., males, females, nonminority whites, African Americans, and Hispanics) believed they were less likely than people in other groups to receive promotions, significant work assignments, training opportunities, and formal recognition or rewards. Specific problems cited in the report included little recent diversity training, a belief by certain minority employees that stereotypes negatively affected their treatment, difficulties in widely disseminating information, gaps in EEO communication, no formal mentoring program, and much dissatisfaction with how employees were selected for promotion.

On the basis of its findings, the assessment team made 53 recommendations in 4 categories. The categories covered creating a supportive culture, creating a greater understanding of issues, preparing employees for promotion, and examining ways that employees were selected for promotion. In a 5th category—examining the representation of minorities in the district—the team made 21 additional recommendations that, at that time, were expected to be suspended pending an IRS analysis of the ramifications of certain court cases.

The former District Director who commissioned the climate assessment report praised it and the process by which it was produced. During his tenure, many actions were taken to address the district's EEO problems. For example, (1) policy statements were issued stating that IRS tolerates no discriminatory behavior, (2) minority representation in the Director's and EEO offices was increased, (3) the EEO office was given a more private location, (4) baselines were set to measure the impact of any improved hiring or promotion policies, (5) minorities were promoted to positions of authority, and (6) training was provided. Goals were also set to open communications with individual employees, employee and community groups, and the media; treat individual performance cases fairly; and not debate emotionally charged personnel issues in the press.

Independent Review Team

In spite of the climate assessment team's efforts and the various changes made or planned, the district's EEO problems persisted. Consequently, IRS and the four of you agreed that another team should independently review the situation. To try to preserve its independence, the team purposefully had no representation from IRS. Also for this reason, the independent team did not solicit IRS comments on its draft report.

The independent team interviewed more than 100 people and examined over 130 records and files, although it did not scientifically select interviewees or broadly survey all district employees. Team members told us that they tried to ensure broad coverage by talking to many people and to all sides of general issues. Moreover, they relied on IRS' climate assessment survey to summarize the perceptions of employees. They also, however, relied extensively on anecdotal information without determining its objectivity or accuracy.

In August 1998, the independent team reported, among other things, that (1) many employees did not have confidence in the EEO process and feared retaliation if they filed complaints or participated in a way considered adversarial to management, (2) separating EEO functions

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into outreach and traditional EEO/counseling components was not working effectively, (3) the counseling program was in disarray, and (4) confusion existed over the role of Treasury's Regional Complaint Center in the formal EEO complaint process. Also, although anecdotes collected by the team did not support a sweeping indictment of Milwaukee IRS management practices, the report concluded that, intentionally or not, some practices perpetuated a work environment that was historically insensitive to the concerns of female and minority employees.

On the basis of its review, the independent team made recommendations in different areas. For instance, many recommendations dealt with the team's findings related to the district's EEO process for resolving issues in a precomplaint stage and its relationship to Treasury's formal complaint process. The team also made recommendations relating to hiring and promotions even though it did not find discriminatory patterns or practices in promoting or hiring minorities or women. The report noted that African Americans in IRS' Milwaukee and Waukesha, WI, offices appeared underrepresented when compared to the Milwaukee civilian labor force.⁴

Although district managers and representatives of employee groups disagreed with many of the issues and assertions in the report, there was general agreement with many of the recommendations. For instance, the head of the diversity office at the time of the study informed us that he agreed with the substance of, had actually taken action related to, or would favor forwarding to Treasury many of the report's recommendations.

After the report was released, IRS initiated several significant actions to address the problems identified. Chief among these actions was that IRS appointed a new District Director who arrived in the district in mid-November 1998 with a stated commitment to overcome past problems. In that regard, she described to us her intent to open communication channels and deal with disrespect, nastiness, and mean-spiritedness at all levels. She emphasized her themes of communication, responsibility, and accountability and told us that on her second day in the district she discussed these themes at an off-site meeting with top managers and union, EEO, and diversity officials.

The new District Director also expressed to us her commitment to work with various internal groups. In addition, she combined the district's EEO and diversity functions, made EEO positions permanent instead of rotational, and invited a union representative to be present for interviews for a new EEO officer.

The new District Director stated that these actions were on the right track, but because of the long and contentious history of EEO problems in the district, improvements and success will take time. She also noted that better communication and cooperation among IRS and the various internal and external stakeholders will be extremely important in dealing with the district's long-standing problems.

⁴The head of the independent team acknowledged that the proper statistical comparison was with the local qualified labor force, not the civilian labor force. However, according to another team member, the relevant qualified labor force statistics were not available.

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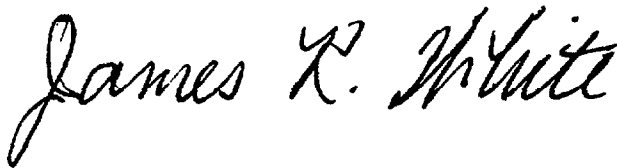
Agency Comments

We obtained comments from IRS on a draft of the May 1999 report that we prepared for the Chairman, Senate Committee on Finance. Although that draft contained the material presented in this letter, IRS' comments did not address EEO issues.

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We are sending copies of this letter to Senator William V. Roth, Chairman, and Senator Daniel Patrick Moynihan, Ranking Minority Member, Senate Committee on Finance; Representative Bill Archer, Chairman, and Representative Charles B. Rangel, Ranking Minority Member, House Committee on Ways and Means; and the Honorable Charles O. Rossotti, the Commissioner of Internal Revenue. We will also make copies available to others on request.

If you have any questions regarding this letter, you may contact me on (202) 512-9110. Key contributors to this letter were Joseph E. Jozefczyk, Lawrence M. Korb, Anthony P. Lofaro, and Jacqueline M. Nowicki.

A handwritten signature in black ink that reads "James R. White". The signature is written in a cursive, flowing style.

James R. White
Director, Tax Policy and
Administration Issues

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